

## Comparative Market Analysis Tools

The Real Estate Professional should be performing a Comparative Market Analysis (CMA) when assisting prospective buyers with home options. The CMA should contain language as required by the Texas Real Estate Commission (TREC) rules as follows, "THIS IS A BROKER PRICE OPINION OR COMPARATIVE MARKET ANALYSIS AND SHOULD NOT BE CONSIDERED AN APPRAISAL. In making any decision that relies upon my work, you should know that I have not followed the guidelines for development of an appraisal or analysis contained in the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation."

The real estate professional must have their real estate broker agree/sign or attest that the market analysis represents the fair market value.

The following are basic steps; however a licensed Real Estate Professional should contact the Texas Association of Realtors or Texas Real Estate Commission with any questions to ensure they are following all applicable rules and laws as required.

1. Define criteria for selecting comparable homes.
  - a. Neighborhood(s), Number of bedrooms, bathrooms, price range, square footage, sold within the last six months etc.
2. Assemble a list of quality comparables that meet your criteria.
  - b. Remove homes out of price range, wrong neighborhoods, etc.
3. Evaluate the comparables and choose 3-5 homes that are the most similar to your target home.
  - c. Look at the age of the home, the square footage, the bed/bath composition and try to find the most comparable homes to your target.
4. Make adjustments and calculate the average value of the comparables to get a price estimate for the target home.